



AGENDA MEMORANDUM

Action Item for the City Council Meeting September 14, 2021

DATE: August 16, 2021
TO: Peter Zanoni, City Manager
FROM: Miles Risley, City Attorney
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826-3739

Renewal of FY 2021-22 Excess Liability and Workers' Compensation Insurance Policy

CAPTION:

Resolution authorizing a total payment of \$839,330.87 for the annual renewal of Excess Liability and Excess Worker's Compensation insurance coverage through the Broker of Record, Carlisle Insurance Agency for upcoming policy year October 1, 2021-September 30, 2022.

SUMMARY:

The current Excess Liability and Workers' Compensation policy expires 9/30/2021. The 2021-22 renewing premium represents an 11.2% increase over expiring premium of \$754,787.85. This policy is an umbrella policy which provides an added layer of coverage above the City's \$500,000/\$1 million liability and \$500,000 workers compensation self-insured programs. The proposed excess policy renewal will have the same per occurrence and annual aggregate limit as expiring as well as the same retention structure. Carlisle Insurance Agency, the City's Broker of Record, solicited quotes under the renewed contract.

BACKGROUND AND FINDINGS:

Excess liability and excess workers compensation market conditions, as well as recent national high-profile law enforcement liability incidents, has affected excess carrier participation this year by causing some to withdraw from the market. Now, the market is becoming less competitive and capacity to write is shrinking.

The Broker of Record, Carlisle Insurance Agency solicited insurance carriers for excess liability and workers' compensation renewal quotes and presents the following:

The following are the current/expiring policy limits and deductible			
Type	Retention / Deductible	Per Occurrence Limit *	Annual Aggregate Limit
Workers' Compensation	\$ 500,000	Statutory	-
General Liability	\$ 500,000	\$5,000,000	\$ 7,000,000
Employee Benefits Liability	\$ 500,000	\$5,000,000	\$ 7,000,000
Law Enforcement Liability	\$1,000,000	\$5,000,000	\$ 7,000,000
Public Officials Liability	\$ 500,000	\$5,000,000	\$ 7,000,000
The following is the proposed policy limits and deductible:			
Workers' Compensation	\$ 500,000	Statutory	-
General Liability	\$ 500,000	\$5,000,000	\$ 7,000,000
Employee Benefits Liability	\$ 500,000	\$5,000,000	\$ 7,000,000
Law Enforcement Liability	\$1,000,000	\$5,000,000	\$ 7,000,000
Public Officials Liability	\$ 500,000	\$5,000,000	\$ 7,000,000

The factors that continue to drive excess liability and workers' compensation coverage prices are the following:

- large law enforcement liability settlement last year policy year
- large **open** law enforcement claim reserves on another
- two previous large law enforcement settlements within the preceding four years
- a workers' compensation presumptive death claim which occurred this expiring policy year
- market conditions and general litigation trends in law enforcement liability
- evaporating market capacity for public entity lines and excess coverage

ALTERNATIVES:

If this item is not approved, the alternative is for the City to fully self-insure its liability and workers' compensation claims, settlements and lawsuits funded through Risk Management. Currently, the City's maximum exposure per claim for liability is \$500,000 per occurrence and \$1million for Law Enforcement Liability. For workers' compensation it is \$500,000. Another option was presented on the public liability lines, however, the decrease in premium was insignificant in comparison to the increased financial risk the City would be assuming. Excess insurance limits the city's financial liability, whereas being fully self-insured would increase the City's financial exposure and may have significant impact on reserves as annual actuarial data and reports have not contemplated a fully self-insured program and as such are not budgeted accordingly.

**A \$750K self-retention option with current deductible structure was quoted at \$803,784.84 (a premium decrease of only \$35,546.03).*

FINANCIAL IMPACT:

Risk Management included this expenditure of \$839,330.87 in its FY 2020-21 Liability/Employee Benefits & Workers' Compensation Funds 5611 & 5612. The Risk Management fund in an internal operating fund based on cost allocation to each department. Approval of this item is an annual reoccurring expenditure to limit the City's financial exposure under its current self-insurance program.

Funding Detail:

Fund: 5611 & 5612 (50/50 Fee Split)

Organization/Activity: 40510 & 40520

Mission Element: 005

Project # **(CIP Only)**: N/A

Account: 537030

RECOMMENDATION:

Staff recommends approval of this action item as presented with the same Self-Insured Retention, Per Occurrence, and aggregate limits per expiring.

LIST OF SUPPORTING DOCUMENTS:

none